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SUBJECT: CHINA SPARKS HYDRO DEBATE AT MEKONG RIVER COMMISSION

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SENSITIVE BUT UNCLASSIFIED

11. (SBU)SUMMARY. The unprecedented active participation of Chinese officials breathed life into the Mekong River Commission's previously tame annual stakeholders meeting in Chiang Rai on October 15-16. Government and NGO representatives engaged in a lively debate with the Chinese, who presented their own scientific studies to show minimum impact from their proposed mainstream dams. They said that environmental and social factors weigh heavily in their dam decisions, and they want to be sensitive of the concerns of downstream users. The head of the Chinese delegation suggested to ESTHoffs that China and the U.S. begin a policy dialogue regarding the lower Mekong countries, to enhance communication and perhaps engage in joint projects. The meeting stimulated ideas on what the USG can do to advance its Lower Mekong Initiative, such as support for scientific studies, and some meeting reps said they are looking for real commitment from the U.S. END SUMMARY.

#### MRC STAKEHOLDER PARTICIPATION

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12. (SBU) The Mekong River Commission (MRC) held its second annual stakeholders meeting October 15 - 16 in Chiang Rai, Thailand. In addition to representatives from the four member states - Thailand, Cambodia, Lao PDR and Vietnam - there were representatives from the MRC's two dialogue partners, Burma and China. The major donors to the lower Mekong countries, including USAID equivalents SIDA (Sweden), GTZ (Germany), AUSAID, and DANIDA (not present, but sponsored) participated, as well as representatives of the Swiss embassy, ASEAN secretariat and the European Commission. A number of local NGOs active in river issues, as well as international NGOs such as International Union for Conservation of Nature (IUCN), World Wildlife Federation (WWF), and International Rivers took part. Present also were representatives from the Stimson Center and another U.S. consultant that have existing analytical projects in the region. Regional ESTH Hub assistant and OES/PCI Asia officer also attended.

#### CHINESE PARTICIPATION MAKES FOR A LIVELY MEETING

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13. (SBU) China is a MRC "dialogue partner," along with Burma. Earlier, MRC representatives told ESTHoffs that although there had not been much active participation from China in the past, recent cooperation had been good. MRC representatives had solidified plans

to take a study trip later this year to Yunnan to view dam sites and discuss downstream effects. In the Chiang Rai meeting, China's presence was a catalyst, forcing member countries to be more focused and productive in their discussions, rather than using China's absence as an excuse for not reaching consensus on difficult issues.

There were a total of six Chinese representatives, of which two made substantial contributions to the meetings. Chinese Deputy Director for International Organizations, Ministry of Foreign Affairs, Mr. Lu Haitien, as head of delegation, was the principal spokesperson. Mr. Zhou Shichun, a senior engineer from Ecosystem Study Commission for International Rivers, made the main presentation on environmental impact analysis of China's proposed Lancang (upper Mekong) River dams.

14. (SBU) China's formal presentation centered on analyses of the two dams in the process of construction on the Lancang River.

Mr. Zhou stressed key baseline features of the potentially affected area: it is not heavy in fish, it is not a major source of flow for the lower Mekong River, and riparian land is not generally used for farming. The Chinese concluded that the two dams' impacts on the environment were not significant. The Chinese reported that the postponement of a third dam due to potential significant impact to fish migration demonstrates their commitment to environmental protection. Other interlocutors pointed out that, at least for the lower Mekong flows, the number of migratory fish was so high and so often during the year that models from colder rivers were inadequate models to predict how many fish could survive fish ladders or flow-through turbines (3 million per hour in Cambodia's Tonle Sap Lake which drains into the Mekong River compared to a maximum 2 million per year in the U.S. Columbia River).

(Note: At the USGS DRAGON program summit in Siem Reap in June, described in reftel, Chinese hydrologists from Yunnan presented data that two existing mainstream Mekong dams did not affect significantly downstream flow to Laos. Several participants noted,

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however, that the dams on the Chinese Mekong would add an order of magnitude to flow manipulation. End Note.)

15. (SBU) With regard to the Chinese assertion that the planned dams would not significantly affect downstream flow, NGO representatives asked what if in the future China were to need the water for irrigation or human consumption in a way not planned now. The Chinese responded that the upper Mekong is not an area that is currently irrigated, that there are not many riparian farms and there are no plans to channel this water elsewhere in China. Other interlocutors noted that China could need more of the upper Mekong flow, and thus reduce dam flow through, if climate change (e.g. the reduction of water from Tibetan glaciers) or migration to the area altered China's demand for upper Mekong water. The Chinese participants stressed many times that they had important economic interests in the Lower Mekong Region. They were participating in the MRC meeting not just to talk, but to listen; they would take back to their government not just the comments but the emotions expressed at the meeting.

16. (SBU) A representative from Cambodia complained of improper practices of Chinese companies. Mr. Lu responded by pointing out that Chinese companies had invested and taken risks in Cambodia when no other country would do so. He also urged the Cambodian representative to report these poor practices to both the Cambodian and Chinese governments so that the rule of law could be enforced. Mr. Lu pointed out that if there were environmental problems with Chinese dams, those problems would come back to haunt China and they would lose face and influence in the lower Mekong. China stressed that it was doing careful environmental analysis and that its standards were stronger than those of the MRC. He compared hydropower development to driving a car: an undeniable right, but one that also comes with risks to oneself and others.

CHINESE ASK TO ENGAGE WITH THE U.S.

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17. (SBU) In a private conversation, MFA's Q asked the U.S. representatives to consider beginning a policy dialogue with China regarding development in the lower Mekong Region; he said that China already had a similar dialogue with Japan. He said that the

creation of a dialogue would eliminate the guesswork about each other's activities, as well as reduce competition. Perhaps establishing the dialogue at the director general level, he suggested that we could first build trust and communication, and then advance to potential joint projects. ESTHoff responded that the proposal was of interest and said that the idea would be floated in Washington to consider where such a dialogue could fit into existing regional and bilateral relationships.

#### FOOD vs. ENERGY SECURITY

18. (SBU) As the effect on migratory fish from mainstream and tributary dams was debated, so was the future of subsistence fishing. Some participants noted that as trade corridors improve with development, trade in the Mekong fishery could become more profitable and therefore a more important part of the rural economies. However, it was also postulated that the economic benefits of this trend may not be sustainable if the markets for high value species dominate, as would likely occur. Furthermore, experts pointed out that as an alternative to sustainable fisheries, aquaculture was not without its own environmental and economic impacts. An NGO representative claimed development partners were willing to invest in "fuel for cars" but not for "fuel for people," alluding to the fierce debate on the trade-offs between fisheries and electricity in achieving development goals. Several local NGOs noted that hydropower and fish-related food security issues were already the main topics of local election platforms.

#### CAMBODIAN REP ASKS ABOUT U.S. COMMITMENT

19. (SBU) The Cambodian government representative noted that the Lower Mekong Initiative, as he understood it, was welcome but overdue - this appeared to him to be the first engagement of the USG that affected Cambodia. He noted that USG efforts to recover missing-in-action servicemen from the Indochina conflict were well-known to Cambodians but not development assistance. The Cambodian made the point privately that China is Cambodia's big brother in the neighborhood, and Cambodia had to get along: was the U.S. just passing through on a whim, or will this new Mekong

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engagement be here to stay? He expressed the view that if his country was being asked to choose between these two development partners, it made sense to choose the one with regional proximity, despite misgivings towards China.

#### COMMENT AND RECOMMENDATIONS

110. (SBU) Several gaps were apparent from the MRC meeting that could provide avenues for USG cooperation and may be suitable topics of discussion for the October 22-23 Lower Mekong Initiative meeting in Phnom Penh. Much of the data and research on environmental impact analysis of China's dam projects had not been translated into English for regional or international audiences, and thus could not be made available for peer review and critique. The local NGOs exhibited not just capacity problems, but seemed to feel a lack of validation that their views had been sufficiently incorporated into planning. They were very concerned with disaster planning, whether it originated from natural disaster or dam design failure. From the science perspective, it was apparent from discussions with various donors and NGOs that there had been insufficient data accumulated on ground water, soil, and irrigated agriculture aspects of the lower Mekong. While there had been studies of fish migration patterns and the feasibility (for conservation purposes) of dams that permitted fish to migrate, there was not enough consensus on the science to make decisions clear-cut for policy makers. Finally, a regional environmental regulatory framework would be needed to reduce unease with China's unilateral ability to capture and release upstream water flow with the construction of dams.

111. (SBU) The USG's Lower Mekong Initiative could be used to bring greater regional clarity to the key political debates on food security, energy security and poverty reduction, and climate change. Each year there is normally an International Visitor Program (IVP) which targets NGO capacity building; for the next cycle a LMI-oriented IVP could help build capacity for the NGOs that work on

lower Mekong fishery issues, with the goal of them becoming responsible and effective actors. Other IVPs could study irrigation, groundwater, and soil components of river use. (Note: Embassy Bangkok will soon have a USDA soil/water Embassy Science Fellow for three months to assess the state of knowledge in Thailand and if possible some of the other lower Mekong countries. End Note.) Another IVP could study hydropower in the U.S., especially smaller scale hydropower, as an earlier trip dealt with large scale projects built many years ago. The U.S. Army Corps of Engineers is redesigning a Snake River turbine in Washington to improve fish survival, and is interested in sharing lessons learned from their research. A profitable IVP could take resource managers to Alaska, where migratory fisheries are managed for native subsistence, commercial and tourism uses. END COMMENT.

ENTWISTLE